



Status Report on Rate Benchmarking

Action Item

Recommendation: Terminate Rate Benchmarking Service Contract

The Technology Services Board (TSB) Services Committee directed the Department of Technology Services (DTS) to acquire an independent consultant to benchmark DTS costs and rates against private and public organizations of similar size and complexity.

The purpose of the benchmarking study was to compare costs and rates for three service areas: Data Storage, Open Systems/Mid-Range Servers, and Networking/Telecommunications (Networking), addressing the following key objectives for DTS and TSB:

1. Establishment of baseline rates, costs and performance.
2. Comparison of DTS' rates with rates of both public and private service.
3. Comparison of data center costs to those costs that customer departments would incur for the internal development and support of similar services.
4. Comparison of the components that other service providers factor into their own rate calculations.
5. Recommendations on how DTS can improve its costs and rates.
6. Identification of different rate setting methodologies or models used by other service providers.
7. Identification of best practices for packaging services, establishing service levels, and recovering data center costs.
8. Recommendations on how DTS can improve service delivery and performance of the tasks relating to its Mission Statement.

The contractor, Western Telecommunications Consulting, Inc. (WTC), began working on the engagement as soon as the 2007/08 Budget was signed on August 23, 2007. After over a year of gathering data from DTS, it became apparent that the contractor



did not have the ability to deliver the requirements as outlined in the Request for Offer (RFO). The contractor was notified on November 5, 2008, that their contract was terminated as a result of the following:

1. After hundreds of hours of staff time spent on gathering cost data from DTS service managers, WTC has only been able to produce Objective #1, establishment of baseline rates, costs and performance.
2. The contractor was unable to produce Objectives #2 through #8.
3. The contractor was unable to secure participation of private IT or telecommunications vendors because some refused to divulge their billing rates, or because of mixtures of tariff and custom-quoted contract rates.
4. The contractor was unable to use any other California State Agency IT cost or rate comparison because none of them used a rate schedule to charge internal customers.
5. The contractor could not ascertain levels of service provisions included in other states' rates, whether services were even provided or were included with a different service, or whether other states were receiving funding support beyond customer billing.
6. The limited number of comparisons was flawed and the contractor was unable to explain the differences.

Contract Period: June 30, 2007, through December 31, 2008